

ON-SITE SYSTEMS, INC.
A PUBLIC UTILITY CO.

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TN REGULATORY AUTHORITY
DOCKET ROOM

March 13, 2003

Honorable Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Petition of On-Site Systems, Inc. – Smokey Mountain Ridge Resort
Docket Number: 03-00069

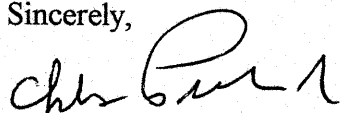
Dear Chairman Kyle:

On-Site Systems, Inc. would like to withdraw our petition to amend our Certificate of Convenience and Necessity (Docket No. 03-00069) to include a portion of Sevier County known as Smokey Mountain Ridge Resort.

Based on an identified need for sewer service in the requested area, and there being no other entity being willing to provide sewer service, the developer, Smokey Mountain Ridge Resort, LLC, requested that On-Site Systems, Inc. provide service to the territory. As the process has proceeded over the last several months, a utility district that serves a small area in the English Mountain community near the eastern border of the county, made the decision to begin providing sewer service to this property which is approximately fifteen (15) miles outside it's existing water service area. On-Site Systems has been acting in good faith throughout this process based on verbal commitments and a letter from the attorney for the developer (see attached), of their desire to proceed with On-Site providing service. However, the developer decided after said petition was filed that a better deal would be to allow the utility district to provide sewer service. Under these circumstances, On-Site Systems has no interest in continuing a relationship with the developer of this property.

If you have any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Pickney, Jr.", written in a cursive style.

Charles Pickney, Jr., President
On-Site Systems, Inc.

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ALSO ADMITTED IN MARYLAND

December 11, 2002

REPLY TO:
P. O. BOX 549
KNOXVILLE, TENNESSEE 37901
E-MAIL TO: mj@jendrekpc.com

Via Fax and First Class Mail

Andrew Craig Troutman, Esq.
PhaseOne Enterprises, LLC
P.O. Box 1061
Knoxville, Tennessee 37901

Re: Utility Capacity Corporation and On-Site Systems, Inc.

Dear Craig:

Thank you very much for the copy of the letter from the Tennessee Regulatory Authority regarding On-Site System's status as a utility.

I have passed that on to my clients and at this point, based on Mike's representations, they are comfortable going forward.

Again, please give me your comments on the two agreements I provided last Thursday. The sooner you can get those comments to me, the quicker we can sign documents and move forward.

Thank you very much for your cooperation.

Very truly yours,



Mark Jendrek

cc: Smokey Mountain Ridge, LLC